United Nations A/C.2/66/SR.26–E/2011/SR.53

# General Assembly
Sixty-sixth session

# Economic and Social Council

Official Records

Distr.: General
3 February 2012

Original: English

**General Assembly**
**Second Committee**
**26th meeting**

**Economic and Social Council**
**Resumed substantive session of 2011**
**53rd meeting**

**Summary record of the joint meeting of the Second Committee and the Economic and Social Council on "Investing in productive capacities for job-rich growth"**
Held at Headquarters, New York, on Thursday, 27 October 2011, at 3 p.m.

*Co-Chair*: Mr. Kapambwe (President, Economic and Social Council) ..... (Zambia)

*Co-Chair*: Mr. Momen (Chair, Second Committee) ..... (Bangladesh)

*Panellists*:

Ms. Bachelet (Under-Secretary-General, Executive Director of the United Nations Entity for Gender Equality and the Empowerment of Women)

Mr. Hirsch (Président, Agence du Service Civique)

Mr. Jomo (Assistant Secretary-General for Economic Development, Department of Economic and Social Affairs) (Moderator)

Mr. Somavia (Director-General, International Labour Organization)

This record is subject to correction. Corrections should be sent under the signature of a member of the delegation concerned *within one week of the date of publication* to the Chief of the Official Records Editing Section, room DC2-750, 2 United Nations Plaza, and incorporated in a copy of the record.

Corrections will be issued after the end of the session, in a separate corrigendum for each Committee.

11-56729 (E)

Please recycle

*The meeting was called to order at 3.10 p.m.*

*Panel discussion on "Investing in productive capacities for job-rich growth"*

1. **Mr. Kapambwe** (Co-Chair) welcomed participants to the panel discussion on "Investing in productive capacities for job-rich growth" which had been organized jointly by the Economic and Social Council and the Second Committee. The topic was complementary to the Council's theme for its 2012 Annual Ministerial Review, entitled "Promoting productive capacity, employment and decent work to eradicate poverty in the context of inclusive, sustainable and equitable economic growth at all levels for achieving the Millennium Development Goals".

2. The global economic and financial situation was in a period of uncertainty. Fiscal and sovereign debt crises had been compounded by highly volatile stock and commodity markets, while the economic and financial crisis had generated a global jobs crisis. High food prices, unemployment and underemployment had triggered expressions of social discontent around the world. Without access to broad social safety nets, the most vulnerable and marginalized populations were experiencing the worst effects, falling deeper into poverty or struggling to sustain their livelihoods.

3. There was an urgent need for policymakers to consolidate their efforts to tackle the many interconnected challenges. A more inclusive and balanced growth strategy would boost productive capacity and promote job-rich growth. More effective and efficient investment in productive capacities was therefore an indispensable response, not only to the current jobs crisis, but also to enable sustained and equitable economic growth and sustainable development.

4. **Ms. Bachelet** (Under-Secretary-General, Executive Director of the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women)) said that she welcomed the panel discussion as an opportunity to share the key messages of the recently launched report of the Social Protection Floor Advisory Group (SPFAG), entitled "Social protection floor for a fair and inclusive globalization". The report had been developed within the framework of the social protection floor initiative adopted by the United Nations System Chief Executives Board for Coordination. The International Labour Organization (ILO) and the World Health Organization (WHO) currently led the initiative, with the support of 17 other international agencies, development partners and civil society.

5. At its substantive session of 2011, the Economic and Social Council had adopted draft resolution E/2011/L.21/Rev.1, in which it recognized the need to promote and realize basic social protection in order to achieve decent work in all countries. The idea was not new — the right to social protection went back to the 1948 Universal Declaration of Human Rights — yet access to social protection services remained a privilege of the few, despite the enormous growth in gross domestic product per capita in the six decades since the Declaration was adopted. Seventy-five per cent of the world's population did not have adequate social security coverage. Millions of people continued to live on under $2 per day and without access to sanitation and safe drinking water. The exclusion of so many people from the benefits of economic growth represented a tremendous waste of human potential and pointed to serious problems with the way in which societies were evolving. The growing ageing population also made the limited access to social services an urgent matter of concern.

6. The SPFAG report demonstrated how social protection floors were the missing element for achieving fair globalization. Countries with strong social protection systems, most notably several countries in Latin America, had proved to be more resilient to economic shocks and had achieved better results in terms of sustainable development than countries without such systems. Investing in social protection was a win-win situation in that it brought about macroeconomic stability in the short term and increased human productivity in the long term. The experience of many countries, including low-income countries, had shown that with the right institutions and funding mechanisms in place, establishing social protection systems was a feasible prospect. North-South, South-South and triangular cooperation was a fundamental component of that process. However, while international partners could assist with aspects such as designing schemes, transferring technology and providing initial funding, social protection initiatives could not succeed without the political will of the national Government.

7. As President of Chile, she had placed social protection at the heart of her administration. Her Government had made large investments in improving

access to water, housing and other basic services, and especially in enhancing child development and gender equality. Those efforts had provided several important lessons in developing a social protection system. First, policy coherence must be a central consideration. Unemployment could not be confronted without considering educational opportunities, which in turn depended on health outcomes, which were connected to issues such as sanitation and water. Policy initiatives should therefore span multiple sectors and translate into coordinated actions. Second, the provision of basic services to the people most in need should be considered the bare minimum investment. The development of a social protection system was a gradual process and its financial sustainability was a critical consideration. Provision of the most basic services to people living in extreme poverty was a small investment that would make an enormous difference in their lives. Third, provision of social protection should be about empowering and supporting people. The aim was not to create dependency but rather to unlock the productive capacity of men and women as workers, employers, consumers and citizens. The concept of the social protection floor took into account those key lessons. Through social transfers in cash or in kind, such as pensions, child benefits and employment guarantees, a social protection floor guaranteed access to basic services to all and ensured that no one lived below an established income level.

8. The SPFAG report highlighted key considerations for the development of a social protection floor. For example, adequate political will would eliminate obstacles and could set the standards that were desired. The sustainability of social protection at the national level was another important consideration and had been shown to be feasible. For example, an analysis by ILO together with the International Monetary Fund (IMF) had found that maintaining basic social protection programmes in developing countries such as Benin and El Salvador could cost as little as 1 to 2 per cent of their gross domestic product. Furthermore, in the long term, social protection schemes boosted aggregate demand and generated tax revenues.

9. The design and implementation of a social protection floor should involve dialogue between Government and civil society. In addition, while the concept of the social protection floor had universal application, its development should be tailored to a country's specific infrastructure, economic constraints and political dynamics. Lastly, the social protection floor should be understood as a first step to achieving full social protection. As a Government's fiscal space widened, the levels of protection offered should increase.

10. The report showcased success stories from around the world and was intended to inspire Government officials at all levels to implement policies that drew on the concept of the social protection floor as part of a coherent strategy to advance a fair and inclusive globalization process.

11. **Mr. Jomo** (Assistant Secretary-General for Economic Development, Department of Economic and Social Affairs), said that the report was a timely contribution, as it came in the wake of much social unrest, including the *Indignados* movement in Spain and the many "Occupy" movements around the world.

12. **Mr. Errázuriz** (Chile) said that, as noted in the report, his Government believed that a social protection floor played a critical role in eradicating poverty and preparing people for insertion into the labour market through decent work. The Chilean legislature had recently manifested its commitment to supporting families by increasing the legal maternity leave period from three months to six months. In addition, a bill to provide funds directly to families living in extreme poverty was under consideration. A ministry dedicated specifically to social development had been created to design and implement such policies and programmes, in cooperation with other Government bodies and civil society.

13. **Mr. Acharya** (Nepal) said that the social protection floor initiative was particularly relevant to low-income countries. His own Government had attempted to provide social services through pensions, support for widows and other programmes. However, in a context in which 70 per cent of the population was living on under $2 per day, capacity constraints, including a lack of institutional and human resources, limited the reach and sustainability of any social protection floor initiative. He asked whether the concept had been analysed from the perspective of low-income and least developed countries and whether recommendations were available in terms of leveraging support for improving policy coherence and productive capacity.

14. **Mr. Rahman** (Bangladesh) said that social protection was at the heart of his Government's long-

term development plan. He requested an assessment of the links between the recommendations set out in the report and the Istanbul Programme of Action. He also asked whether the report would be used as an advocacy tool at the upcoming meeting of the Group of 20 (G-20).

15. **Ms. Montel** (France) thanked Ms. Bachelet for her leadership and work with the G-20 and said that she supported the second question by the representative of Bangladesh.

16. **Mr. Almeida** (Brazil) said that the issue of social protection was critical to achieving sustainable development and must be at the centre of the agenda of the upcoming United Nations Conference on Sustainable Development (Rio+20). Social protection floors were not only affordable, but paid for themselves, as they mitigated the effects of economic crises. His Government fully supported the social protection floor initiative.

17. **Ms. Bachelet** (Under-Secretary-General, Executive Director of UN-Women) said that the concept of the social protection floor was not prescriptive; each Government should identify its own needs and priorities and approach social protection as a gradual process in tandem with its efforts at building capacity and financial sustainability. Many developing countries, including Bangladesh, while not yet implementing a full social protection system, had achieved extraordinary results with their programmes in areas such as health and education. The Governments of least developed countries could determine the most appropriate place to start.

18. While the report focused on low-income countries and provided relevant examples, it could also apply to developed countries. Every society had needs and every system had room for improvements. Her work as President of Chile to expand social benefits and opportunities had built on the investments of previous administrations in institutional capacity. The report provided some analysis of how to build fiscal space for social programmes. For example, IMF had found that the long-term costs of not investing in health care services, including training of human resources, were much greater than making such investments. The report was intended to be an advocacy tool and would be launched in different regions. It was written for decision-makers and gave the social, economic and political reasoning for investment in social protection floors. ILO and WHO were developing strategies to encourage its use by Governments, civil society and labour unions as a basis for action.

19. She had been working closely with the presidency of the G-20, which had placed social protection at the centre of its agenda. The G-20 finance ministers had recognized the need for social protection systems both in developed and developing countries. Work also needed to be done with subregional groups and other groupings, as it was clear that some countries needed financial and technical support to initiate programmes.

20. **Mr. Somavia** (Director-General, International Labour Organization (ILO)) said that he wished to specifically address the question of whether there were alternative development models that countries could pursue given the constrained policy environment. The question was particularly pressing in view of the upcoming 2015 deadline for achieving the Millennium Development Goals. Alternative development models were possible, but their implementation involved examining the origins of the current crisis. The issue was both structural and systemic, as the economic and financial crisis was a result of the policies that had been in place. The international community must analyse why emerging countries had weathered the crisis better than developed countries and had avoided the subsequent sovereign debt crisis.

21. The growth and globalization model which was in place had become progressively less efficient. It had increased social inequality, caused damage to the environment, favoured the financial system and multinational corporations, and promoted an export-led system without regard for the domestic expansion of markets. Macroeconomic policy had trumped social policy, resulting in high levels of growth with job shortages. In addition, the reigning approach to finance and economics had transformed technical tools into ideology. For example, the systemic application of deregulation had overvalued the capacity of markets to self-regulate and undervalued Government's role in regulation. A dogmatic adherence to other tenets, such as "grow first and distribute later", had undermined the role of public policy, the dignity of work and respect for the environment and ultimately created the current state of global discontent. The development and implementation of policy must return to a technical view of the tools of economics, to be used in

accordance with the requirements of a particular situation.

22. The United Nations was the best place to assemble ideas and drive policy in a different direction. It was the most credible space to conduct the appropriate negotiations and to gather the views of different groups, ranging from the least developed countries to the European Union. The challenge was great, but the opportunity was even greater. The concept of open economies and societies made it possible to orient markets towards different outcomes. While authorities viewed civic discontent in political terms, focusing on whether the unrest could be leveraged to influence the next election, people were demanding that Governments and the private sector should find ways to create decent jobs, share the common wealth, preserve the environment, offer people a voice and provide basic social protection.

23. He proposed two concepts for discussion: the need for a new era of social justice, and the possibility of a greener and fairer system of globalization. Under the old model, the focus on the financial economy had drawn resources away from the real economy. Governments had cut taxes, while workers incurred the debt used to buy out the financial system. New ways of thinking could make social investment seem feasible. The first change must be in the criteria for determining the success of national policy. For example, instead of judging success based on the percentage of growth and per capita income, which masked issues such as inequality, a new model would judge the success of a policy based on whether it had reduced the work deficit or expanded the space for social dialogue. A focus on increasing productive capacity and developing a social protection floor offered a potential for real change in the globalization pattern.

24. It could be argued that such investments were not practical in a time of crisis. However, short-term measures based on the classical macroeconomic policies did not actually provide a solution. Sacrifices were inevitable, but societies would adapt to a change in direction if they believed resources were being shared more fairly rather than simply being used to save the financial sector. The opportunity for creativity in shaping policy had never been so great. Over the past 15 years, emerging countries in Latin America and Asia had paid back their IMF loans and had been able to respond to the economic crisis on their own terms. The highly influential position of the Governments of China, Brazil and Indonesia within the G-20 was evidence of their intellectual autonomy in terms of policy direction. The United Nations must absorb this new reality and place it at the service of Governments through a strong and challenging mandate.

25. **Mr. Jomo** (Assistant Secretary-General for Economic Development, Department of Economic and Social Affairs) said that much of the current unrest could be attributed to the effects of the unemployment crisis on young people. Many of them had had to delay the start of their careers, which had implications for their professional development and lives. Furthermore, in less developed economies, the problem of underemployment had been exacerbated.

26. It should be recalled that the economic situation before the crisis had been far from ideal. While sub-Saharan African had experienced growth for the first time, that had resulted from capital-intensive investments in areas such as mining, which had not improved employment prospects. In the United States of America, a policy of easy credit that had been implemented following the bursting of the dot-com bubble in 2001 had led to the recent sub-prime mortgage crisis and over-investment in profitable sectors by the financial sector. Many Governments had maintained a policy of easy credit following the worldwide economic and financial crisis, yet there was now a reluctance to invest in productive capacity owing to capacity overhang.

27. The Global Green New Deal offered innovative thinking to achieve economic recovery. The proposal called for sustained investments, including investment in job creation and, most importantly, in green growth. Improving the standard of living in developing countries was not possible without access to cheap energy. Despite progress in the production of renewable energy, it was still more expensive per unit than energy produced through fossil fuels. Rather than raising the cost of energy and placing the burden on the poor, green growth promoted the generation of renewable energy through cross-subsidization, including through feed-in tariff arrangements, by which electricity distribution companies purchased different types of energy at varying prices. Investments in energy research had increased and per-unit costs had decreased when the learning process had not been impeded by intellectual property rights. Another component of green growth was investment in research to increase the productivity of food crops. Investments

in the 1960s and 1970s had yielded a significant increase in maize, wheat and rice production, but public funding for agricultural research had since collapsed. Lastly, green growth involved enhancing productive capacity and investment in green infrastructure, which improved the living conditions for people in an environmentally sustainable manner.

28. The great challenge of pursuing development while confronting the effects of global warming and recovering from the economic, jobs and food crisis offered an opportunity to invest significantly in productive capacity. Countries with savings had faced the crisis well, but their savings were tied up in low-yielding treasury bonds. Resources could be redeployed in ways that enhanced productive capacity for job-rich growth. Financial facilities with a sense of mission were needed not only to overcome the crisis, but to create conditions for a better life and future for all.

29. **Mr. Galvez** (Chile) asked what role the United Nations should play in promoting greener and more inclusive growth. He recalled that the United Nations had been highly visible in the 1990s, notably because of the series of summits meetings and international conferences; at the current time, however, with the G-20 moving to centre stage, multilateralism could be at risk. Since ILO was working with the G-20, it could perhaps act as a bridge and give indications to the various actors as to how to act in order to complement each other.

30. He believed that a new form of intellectual property rights was needed as part of the new economic model being discussed. He asked for views on how and why the current arrangement of intellectual property rights was not working in favour of fairer and more inclusive growth and what form such rights would need to take in order to support development and at the same time protect the rights of people who were creative and brought ideas into the world.

31. **Mr. Stenvold** (Norway) recalled that some stakeholders had subscribed for more than a decade to the analysis and prescriptions put forward by Mr. Somavia. Unfortunately, up until 2008, very few people had been prepared to listen to those views, which had been dismissed as naïve negativism. The people who did hold those views, had been optimistic at the fall of Lehman Brothers, thinking that finally the decision-makers would listen to their analysis, but instead, a couple of years later, the world had more or less reverted to the same economic philosophy and model. He wondered why that had happened.

32. **Mr. Almeida** (Brazil) observed that the current situation represented an emerging new paradigm. He recalled that in the 1950s and 1960s, the emphasis had been on industrialization, which at the time had been almost a synonym for development. By contrast, the concept of the social protection floor had moved the discussion back towards the people-centred and human development approach that had prevailed from the 1990s until very recently, and that had resulted in the Millennium Development Goals. He wondered whether the world was now moving towards a convergence of the various approaches, one that could be crystallized at the forthcoming United Nations Conference on Sustainable Development.

33. **Mr. Rahman** (Bangladesh) suggested that the World Trade Organization and the International Organization for Migration should also be involved in the new paradigm, and asked whether ILO was in discussions with them. He asked whether the Global Green New Deal was still a work in progress or a closed chapter.

34. **Ms. Montel** (France) noted that the SPFAG report had served to inform the work of the ministers of labour, and of development, of the G-20, both groups having met in September 2011. Their conclusions had been transmitted to the heads of State who would meet in November 2011 in Cannes, France, as the issue of the social dimension of globalization would certainly be taken up at that meeting. The crisis would not be brought under control without a structural and long-term approach. That was the approach being taken by the French presidency of the G-20, which held the view that the social protection floor concept was at the heart of inclusive, balanced and sustainable growth. Considering growth in terms of gross domestic product was no longer sufficient; the terms of the analysis must be widened. Another important aspect of the social protection floor concept was that it was counter-cyclical, which was fundamentally important in the context of the crisis. She asked for the views of the panellists on the actions of the French G-20 presidency, and also for information on the collaboration between ILO and IMF.

35. **Mr. Acharya** (Nepal) observed that the current economic development paradigm was fraught with an

inherent contradiction, in that the focus was exclusively on increasing productivity, which entailed using technology, but that in turn would lead to losses of jobs. Increasing market efficiency without a commensurate increase in aggregate demand meant that an overall recovery of the economy would never be possible. He wondered how it was possible to ensure a high level of productivity and growth but at the same time an increase in employment. A new development model would be required.

36. He asked how the rise of the idea of the social dimension of economic growth impacted the macroeconomic stability framework that was the main concern of the international financial institutions, and whether the latter were now more sensitive to that issue. Noting that the major obstacles impeding resolution of the food crisis were the lack of investment in agriculture over the long term, speculation, and the diversion of foodstuffs to make biofuels, he asked how those obstacles could be overcome.

37. **Mr. Igali** (Nigeria) said that the report and the subsequent discussion had made it clear that there was currently a high level of discontent and social alienation in the world. The international community must scale up its efforts to provide help to the most vulnerable sectors of society, especially in the developing countries, where there were no jobs and no prospects. Particular focus was needed on improving the agricultural sector, which was still the mainstay of many countries in the developing world; agricultural productivity needed to be increased, and access to markets improved.

38. **Ms. Kage** (Germany) said that it was important to translate the abstract concept of the social protection floor into practical issues like health, water and environmental matters. Finding solutions was very complicated, and even in Germany there was a constant debate about whether the country could afford its generous system of social protection. That was not an issue that could be solved once and for all, but rather a process that was under constant adaptation.

39. The crisis had clearly revealed the value of the social protection floor, which had significantly helped in the recovery, thereby putting its cost into perspective. What was needed was social consensus and a generational contract; people had to understand that social protection was not free; everybody had to contribute, through their taxes. While, based on a social consensus, company and labour representatives could come together with the government to discuss solutions, the basic question was who really represented the jobless.

40. **Ms. Williams** (Grenada) said that the phenomenon of jobless growth had created a tremendous amount of anxiety, because growth had always been coupled with job creation and expansion. Now it appeared that technological innovation was shedding jobs, which meant that the developing countries had to choose between growth and job creation. The emphasis of the current discussion, on how to achieve growth that was job-rich, was greatly to be welcomed. The investments that were made in social protection to help the large constituency of persons who were in need of social support could be the first brick in the road towards a new economy.

41. **Mr. Hirsch** (Président, Agence du Service Civique) said that the SPFAG report had not been written by social experts for social experts; much of the inspiration for the report had come from economists from IMF, the World Bank and academia, who had recognized shortly after the crisis that one of its root causes was the lack of social protection. The old paradigm "grow first and distribute later" had never been truly successful: the idea now was that if social protection was provided first, people, companies and countries would then become richer. That was a theory propounded not by social experts but by economists.

42. In writing the report, its authors had tried to create a tool which could be useful for all categories of countries. The intention had been to avoid rejection of the report by the very rich countries on the grounds that they already had social protection, or by the very poor countries on the grounds that they were too poor to offer social protection. The authors had tried to demonstrate that some matters were common to multiple countries even when they had very different levels of social protection. For instance all countries, of whatever level of development, had to consider the question of the appropriate level of out-of-pocket expenditures for health, and whether free care should be provided for the poor, for mothers, for young children, and so on. Similarly, every country had to face the question of how to finance its social protection.

43. **There was a difference between safety nets and the social protection floor. The social protection floor was a concept which included the whole population, on** a basis of solidarity, not only the poor population or poor countries. In terms of health, for instance, the concept would mean that a country could have health services that were available to all citizens regardless of income or status.

44. The concept of social protection had been a national issue, decided on at the national level, but it might now become an international one. Increasingly, what happened in one country had an impact on other countries. Unless all countries progressed in social protection, some countries that had built their own protection could be obliged to dismantle it. Also, in the absence of social protection, some of the current imbalances in the world would become greater, for example in the area of migration or pandemic disease. The intention would not be for the countries of the North to dictate to those of the South, however; indeed, one of the fascinating aspects of writing the report had been the exchanges of experiences between and among countries of the South.

45. **Mr. Somavia** said that he agreed that the United Nations had exercised policy leadership in the 1990s at numerous important gatherings. At he United Nations Conference on Environment and Development in 1992, and the World Summit for Social Development in 1995, it had been clear that governments were having problems with the habitual growth model and its consumption and investment patterns, and believed that the phenomenon of globalization was not sufficiently taking into account jobs growth, poverty reduction or social cohesion. He believed that the current crisis represented an opportunity for the United Nations to once again exercise leadership in ideas and policies and become an attractive setting for important negotiations to take place. In order to achieve that goal, one possible approach might be to make some of the bodies of the United Nations smaller and more agile, with their members acting on behalf of constituencies.

46. A further issue was that of the relationship between the United Nations and the G-20. At the time when the crisis had occurred, the G-20 had been the appropriate forum for taking some important and urgent decisions, as its member countries represented a large proportion of the world's economy and a significant part of its population. However, it was an **open question whether that was the ideal pattern for the future.**

47. **The relative positions of the United Nations and** the G-20 would be defined by the credibility of their ideas, the results they achieved, and whether there was a perception that they were actually capable of advancing policies that addressed people's problems. The forthcoming G-20 meeting in Cannes, France, was going to be very important because the current French presidency of the Group had firmly put the social implications of globalization on the table. He was certain that the United Nations had the capacity to develop the ideas and policies that could produce a new era of social justice and a fairer, greener and more sustainable globalization, and also had the capacity to take the internal decisions necessary to make the Organization once again a space for decision-making.

48. On the point made by the representative of Norway, he said that a key factor in the world's sliding back into a "business as usual" mode had been that in the developed world the valuation of the banks had gone up, the stock markets had gone up, and there had been modest growth, and so countries had concluded that the crisis was over. The G-20 had decided that there was a need to continue applying stimulus packages in order to secure growth, but that at the same time careful attention had to be paid to the increase in debt. The balance between stimulus and debt level had been defined at the G-20 summit in Pittsburgh, United States of America. However, by the time of the G-20 summit in Toronto, Canada, the balance had been abandoned and the issue was sovereign debt and austerity. At the Seoul summit, more attention had been paid to development issues, but the main factor at the Cannes meeting would be how to strike a balance between giving confidence to financial markets and ensuring the confidence of citizens. When the banks were rescued, it would have been better if conditions had been set, such as an obligation for them to invest a certain amount in the real economy, rather than only working in the financial economy.

49. The crisis was not a global phenomenon, nor had the reaction to it been uniform. Some of the emerging countries, as well as developed countries such as Australia, Canada, Germany and the Nordic countries, had been able to respond to the crisis much better than others precisely because they had a strong welfare system. Rather than being seen as a major cost, a healthy welfare system should be seen as making a

significant contribution both to maintaining a country's social stability and to facilitating its economic recovery.

50. What was beginning to emerge was the notion that a country's macroeconomic policy and employment or social policies had to be integrated. The conventional view had been that as a first step countries had to ensure that sound macroeconomic policies were in place, which would result in low inflation, a balanced budget and a low relationship of debt to gross domestic product. Such policies would produce growth and the growth would create jobs. In reality, however, the expected beneficial consequences of those policies had not come about. He suggested that a different approach would give better results, namely setting specific target numbers for job growth, just as targets were currently set for savings, investments or inflation. That would require a totally new mindset among economic decision-makers, but it would not require a modification in the way that the market worked: rather the decision-makers should set themselves different objectives and then organize their policies accordingly. At the same time, it would be necessary to gather new types of data, on employment and social issues, rather than, or in addition to, traditional data on trade and financial flows.

51. Another conventional idea that needed to be challenged was that, in order to increase productivity, the essential step was to liberalize the labour market. That was a massive oversimplification: sometimes more market regulation, not less, was needed. Another ideological idea was that increased productivity was, in and of itself, always a good thing. But if increased productivity negatively affected global demand, than that was obviously not beneficial. Once again, there was a need to take a fresh look at the economic theories and find a new balance. Another misconception was that increased productivity and resulting increased profits automatically made more resources available for investment in the real economy; in reality, newly-available resources tended to be invested in the financial economy, with investments in the real economy having stayed more or less stable for the last 30 years. Thus, as the representative of Brazil had suggested, an integration of diverging ideas was under way, but there was still a long way to go before the integration was complete.

52. A key component in the job growth equation was small enterprises. While it was true that multinational enterprises and large companies were more productive, and possibly offered jobs that were considered more attractive, it was the smaller companies that were going to produce the needed volume of jobs. Thus what was really needed was to increase the productivity of smaller companies, but while lip service was paid to the importance of small enterprises, policies were defined in terms of large ones.

53. Turning to the question about the relationship of ILO with other agencies, he said that ILO was collaborating with the World Trade Organization (WTO) on joint research projects. The third such project had been published recently, on the impact of trade on jobs. In the view of ILO, migration was caused primarily by a shortage of jobs. If countries were able to create more jobs, then much migration would be avoided, with all its attendant issues such as how migrants were treated, whether the sending countries could make agreements with receiving countries to ensure fair treatment, and so on. ILO was working in cooperation with the International Organization for Migration, to which it had communicated its view of the overriding importance of the jobs issue.

54. He agreed with the representative of France that it had been a very important initiative to make the social dimension of globalization a major topic for the G-20 summit. As for her question on cooperation with IMF, it might be seen as surprising that the two bodies should be cooperating in examining how macroeconomic policies, employment policies and social policies could be better adapted to one another, since historically ILO had been very critical of IMF, but times had changed. As both Ms. Bachelet and Mr. Hirsch had said, one important aspect of the social protection floor concept was that it must be financially sustainable. There, the expertise of IMF could help. ILO and IMF were now working with three specific countries to determine how much fiscal space was available to them to increase the dimension of social protection.

55. He fully agreed with the comments of the representative of Nigeria concerning the need to improve the agricultural sector. He welcomed the distinction made by Mr. Hirsch between safety nets, which were extended only for a specific crisis and withdrawn when the crisis was over, and the social protection floor, which was conceived of as being much more permanent, and as able to contribute to economic

recovery. He also welcomed the comment by the representative of Germany concerning representation of the jobless. He would frame it in wider terms, as who represented the disquiet that currently prevailed in society. The Organization had a mandated responsibility to be concerned about people — not just the most vulnerable but people in general — who at the current time were extremely uncertain as to what was happening, and increasingly convinced that the way the crisis was being dealt with did not take account of their concerns.

56. **Mr. Jomo** (Assistant Secretary-General for Economic Development, Department of Economic and Social Affairs), responding to the comment about intellectual property rights, recalled that, following the acceptance of the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) by the international community, the Doha Declaration had stated that the Agreement could and should be interpreted and implemented in a manner supportive of WTO members' right to protect public health and, in particular, to promote access to medicines for all. There was no reason why the international community should not work towards having other exceptions covering new green technologies, renewable energy and so on, which would make those new technologies much more accessible

57. The Global Green New Deal still had not gained sufficient support. As had been said, the world was in a situation of tremendous disquiet, and under the French presidency of the G-20 a range of new issues had been raised which had not previously been addressed by the Group. The G-20, as the forum of the largest economies in the world, could bring those issues to the multilateral institutions for debate and, it was to be hoped, implementation.

58. On the issue of the food crisis, the French presidency of the G-20 had opened up the whole question of commodity price volatility. The debate in the G-20 basically pitted those who saw the issues in terms of supply and demand against those who emphasized that the world had changed because the financialization of commodity futures and options markets had fundamentally changed the nature of those markets and made them far more procyclical. However, there was an additional layer of complication in that if a country simply increased food production, that did not necessarily mean that its people would have greater food security, particularly if the majority of the additional food was intended for export or for making biofuels. There were many aspects still to be explored.

59. **Mr. Monem** (Co-Chair) said that although the global jobs crisis appeared to be a direct after-effect of the economic and financial crisis, it could actually be a structural problem built up over the years and resulting from a variety of reasons such as, for example, the application of new labour-saving technology and reduced attention to job-rich growth. In recent years unemployment and underemployment, including disguised unemployment, had increased significantly both in developed and in developing countries. The linkage between unemployment and poverty also threatened much of the progress that had been achieved towards the Millennium Development Goals.

60. The youth and gender dimensions of the jobs crisis were particularly troubling and urgent. He agreed with Mr. Somavia that the world could not emerge from the crisis by means of the policy prescriptions that had prevailed for years. New thinking was needed, new policy prescriptions, and a new financial and economic infrastructure. The international community had to find strong political commitment and a new mindset, one that was willing to face challenges, such as the recommendations for a social protection floor as a part of a new development model. The world must also rebalance macroeconomic policies by channelling greater resources to supporting the productive sectors, creating more jobs and investing in infrastructure, agriculture, health and education.

*The meeting rose at 6 p.m.*